

VZCZCXRO5937

PP RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN
RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHVL #0858/01 2890832
ZNR UUUUU ZZH
P 150832Z OCT 08
FM AMEMBASSY VILNIUS
TO RUEHC/SECSTATE WASHDC PRIORITY 2937
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 VILNIUS 000858

SIPDIS

FOR EEB/IFD/OMA - AWHITTINGTON AND EEB/EPPD - RHUFF

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [LH](#)

SUBJECT: THE BANKS OF LITHUANIA ARE PRIMARILY THE BANKS OF
SCANDINAVIA

¶1. Begin Summary. Lithuania's banking sector is composed of 15 banks, with the majority of assets held by Scandinavian institutions. Entities besides the top 15 hold only 1 percent of all bank assets. So far the Scandinavian and locally owned banks appear stable. Nonetheless, in response to the worldwide financial crisis the GOL increased deposit insurance to the equivalent of 100,000 Euros. End Summary.

Are We In Scandinavia?

¶2. Lithuania has 15 banks that control approximately 99 percent of all banking assets in the country. Nine of the institutions are registered as Lithuanian entities, with the remaining 6 being foreign bank branches. SEB, Swedbank (previously known as Hansabankas) and DnB Nord, all Scandinavian banks, dominate Lithuania's banking system. These banks control two thirds of all banking assets in Lithuania and also play an important role in the leasing and insurance markets. Unlike their smaller competitors they saw continual impressive profit growth in the first half of 2008 over the same period in 2007, although many smaller institutions still recorded profits for the first half of ¶2008. Below is a list of the banks that compose the vast majority of the Lithuanian banking system, with their national origin in parentheses and their approximate Lithuanian assets in USD as of June 30, 2008.

- SEB (Swedish): 9.9 billion USD
- Swedbank (Swedish, previously known as Hansabankas): 7.7 billion USD
- DnB Nord (Norwegian majority ownership with some German): 5 billion USD
- Nordea (Finnish): 2.9 billion USD
- Danske (Danish): 2.4 billion USD
- Snoras (Russian): 2.3 billion USD
- Ukio (Lithuanian): 1.7 billion USD
- Siauliu (Lithuanian): 833 million USD
- Parex (Latvian): 692 million USD
- UniCredit (Italian/German): 349 million USD
- Medicinos (Lithuanian): 306 million USD
- Allied Irish (Irish): 22 million USD
- MP Investment (Icelandic): 17 million USD
- Balti Investeeringute Grupi Pank (Estonian): 12 million USD
- Finasta (Lithuanian): 8 million USD

¶3. There are other depository institutions, foreign bank representative offices, foreign bank branches, credit unions and EU banks providing cross-border services without a branch. Their Lithuanian assets, however, are minor when compared with the institutions listed above.

In Sweden We Trust

¶4. The banking sector in Lithuania appears fairly stable compared to Western Europe and may escape the recent challenges seen in many countries, including the United States. The Senior Economist of SEB Bank in Lithuania, Nerijus Udrenas, told us that financial difficulties in the United States would not affect his bank's operations in Lithuania, saying SEB has plans to grow not downsize in Lithuania. He admitted that profitability might decline in the banking sector in the short term but lending will continue with greater investigation of credit recipients before loan issuance. Gediminas Simkus, the Deputy Head of the Financial Stability Division of the Bank of Lithuania, told us that Swedish Central Bankers remain confident and stand ready to provide liquidity if needed.

¶5. In one discordant note, the head of the local branch of Danske bank cautioned that if bank analysts look at the Baltic States as one, Lithuania could come under some pressure.

No Reason To Put Money In A Mattress

¶6. Deposits in Lithuania were previously 100 percent insured up to a 3,000 Euro equivalent and 90 percent of deposits between 3,000 and 22,000 Euros equivalent were insured as well. As part of the reaction to the world financial crisis, the government increased deposit insurance to the

VILNIUS 00000858 002 OF 002

EU-recommended 100,000 Euros on October 14.

CLOUD